

# **MARSHALLTOWN WATER WORKS**

**Independent Auditors' Reports  
Basic Financial Statements and  
Supplementary Information  
Schedule of Findings**

**June 30, 2020 and 2019**

# MARSHALLTOWN WATER WORKS

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# MARSHALLTOWN WATER WORKS

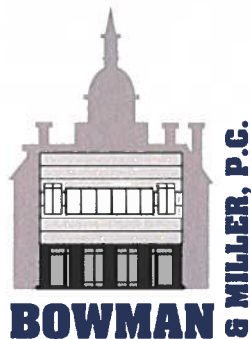
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## **MARSHALLTOWN WATER WORKS**

### **Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
Kenneth Vinson	Trustee – Chairperson	May 1, 2022
Laura Eilers	Trustee	May 1, 2021
Jerry Young	Trustee	May 1, 2022
Shelli Lovell	CEO/General Manager	Indefinite
Deborah McElroy	Customer Service Manager	Indefinite
Zach Maxfield	Director of Distribution	Indefinite
Pat Willey	Director of Finance	Indefinite



## C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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### Independent Auditors' Report

To the Board of Trustees  
Marshalltown Water Works  
Marshalltown, Iowa

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Marshalltown Water Works (Water Works), a component unit of the City of Marshalltown, as of and for the years ended June 30, 2020 and 2019, and the related Notes to Financial Statements, which collectively comprise the Water Works' basic financial statements listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Water Works' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Works' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Marshalltown Water Works, a component unit of the City of Marshalltown, as of June 30, 2020 and 2019, and the respective changes in its financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Water Works' Proportionate Share of the Net Pension Liability, the Schedule of the Water Works' Net Pension Liability, the Schedules of the Water Works' Contributions and the Schedule of Changes in the Water Works' Total OPEB Liability, Related Ratios and Notes on pages 4 through 6 and 27 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in pages 39 through 48, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2020, on our consideration of Marshalltown Water Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Marshalltown Water Works' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marshalltown Water Works' internal control over financial reporting and compliance.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
November 10, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of the Marshalltown Water Works' Annual Financial Report presents our discussion of the Water Works' financial performance during the fiscal year ending June 30, 2020.

Use this discussion in conjunction with the financial report to better understand the Water Works' financial condition, which follows this section.

### **2020 FINANCIAL HIGHLIGHTS AND NOTEWORTHY ISSUES**

- ◆ Operating revenues of the Water Works increased 17.4%, or approximately \$876,000, from fiscal year 2019 to fiscal year 2020. The increase in operating revenues can be attributed to an increase in industrial and residential water usage as well as a rate increase that went into effect on July 1, 2019.
- ◆ Operating expenses of the Water Works increased 4.8%, or approximately \$197,000, from fiscal year 2019 to fiscal year 2020. The increase was attributed to increases in lime sludge removal and payroll and benefit costs.
- ◆ The Water Works net position increased 15.5%, or approximately \$2,254,000.

### **OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Water Works' financial activities.

These financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. These provide information about the activities of the Marshalltown Water Works and present an overall view of the Water Works' finances.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Water Works' budget for the year, the Water Works' proportionate share of the net pension liability and related contributions for both IPERS and the Water Works' Supplemental Retirement and Pension Plan, as well as presenting the Schedule of Changes in the Water Works' Total OPEB Liability, Related Ratios and Notes.

Supplementary information provides detailed information about the Statements of Net Position and various department expense accounts.

The financial statements report information about the Water Works using the accounting method similar to those used by private sector companies. The Statements of Net Position include all of the Water Works' assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus.

All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statements of Net Position present financial information on all of the Water Works' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in the Water Works' net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Water Works is considered a business type activity because it charges fees to customers to cover the costs of all services it provides.

### **FINANCIAL ANALYSIS OF THE WATER WORKS AS A WHOLE**

- ◆ Operating revenues for the Water Works increased approximately \$876,000 over fiscal year 2019 and operating expenses increased approximately \$197,000 resulting in operating income of approximately \$1,628,000. After all non-operating income and expenses were recorded, the Water Works reported a net increase of approximately \$2,254,000 for the year ending June 30, 2020.
- ◆ The Water Works' operating revenues were approximately \$5,919,000, which resulted in an increase from the previous year and was approximately 96% of the budgeted revenues. Total expenses for fiscal year 2020 were approximately \$4,437,000 and were approximately 83.6% of the budgeted amount approved by the Board of Trustees in March 2019 and amended in February 2020.

### **DEBT ADMINISTRATION**

- ◆ During fiscal year 2020 the Marshalltown Water Works incurred additional debt in the amount of \$5,000. The debt was in the form of a revenue note through the State Revolving Fund (SRF) loan. This loan was used for the \$6.8 million construction project involving a new ground storage reservoir, pumping station, backup generator and other treatment plant improvements that began in April 2016. During fiscal year 2020, the Marshalltown Water Works paid \$441,339 in principal and interest towards this water revenue capital loan note and had \$490,039 of principal forgiven by the State Revolving Fund.

### **CONDITIONS OF THE WATER WORKS' INFRASTRUCTURE**

- ◆ The Marshalltown Water Works has spent and continues to spend a large portion of time maintaining and upgrading its existing infrastructure. We have developed a capital improvement plan that focuses on repair and replacement of infrastructure at the water treatment plant and in the distribution system. Water treatment plant repairs are focused on our wells and control equipment. We have prioritized needed valve, hydrant and water main repair and replacement projects based on operational needs and by the number of leaks and water main breaks. We also look at opportunistic water main replacements during city street renovations if the water main along the street warrants replacement.
- ◆ The Water Works, with the help of our planning agency, looks at proposed development sites within the City limits to be sure that we have developed our system to the capacity needed to serve those new areas.



## **ECONOMIC FACTORS AND NEXT YEAR'S RATES**

- ◆ The Water Works is implementing a 9.5% water rate increase effective October 1, 2020. This increase is based on a water rate study completed in 2020 that recommended the increase based on projected operational costs and approximately \$2 million in planned capital improvements, including water treatment plant and distribution system repairs and upgrades, well repairs and tower maintenance.

## **CONTACTING THE WATER WORKS' FINANCIAL MANAGEMENT**

This financial report is designed to provide customers, investors, and creditors of the Marshalltown Water Works with a general overview of its financial situation and to demonstrate the accountability of the Water Works for the money it receives. If you have any questions about this report, you may contact either Shelli Lovell or Pat Willey at 205 East State Street, P.O. Box 1420, Marshalltown, IA 50158 or at (641) 753-7913.

# MARSHALLTOWN WATER WORKS

## Statements of Net Position June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
<b><u>ASSETS:</u></b>			
Current assets:			
Cash and cash equivalents	\$ 4,009,673	3,057,349	952,324
Receivables:			
Customer accounts	384,855	305,792	79,063
Unbilled water usage	366,693	385,987	(19,294)
Other receivables	55,419	41,333	14,086
Prepaid expenses	54,135	47,998	6,137
Restricted assets:			
Sinking fund	36,713	41,907	(5,194)
Total current assets	<u>4,907,488</u>	<u>3,880,366</u>	<u>1,027,122</u>
Non-current assets:			
Restricted cash and cash equivalents	826,400	711,904	114,496
Certificates of deposit	300,000	300,000	-
Capital reserve	403,180	404,097	(917)
Total non-current assets	<u>1,529,580</u>	<u>1,416,001</u>	<u>113,579</u>
Capital assets:			
Capital assets	36,285,988	35,589,531	696,457
Accumulated depreciation	<u>(17,006,702)</u>	<u>(16,565,202)</u>	<u>(441,500)</u>
Net capital assets	<u>19,279,286</u>	<u>19,024,329</u>	<u>254,957</u>
Total assets	<u>25,716,354</u>	<u>24,320,696</u>	<u>1,395,658</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
Pension related deferred outflows	<u>318,932</u>	<u>217,620</u>	<u>101,312</u>
 Total assets and deferred outflows of resources	 \$ <u>26,035,286</u>	 <u>24,538,316</u>	 <u>1,496,970</u>

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
<b><u>LIABILITIES:</u></b>			
Current liabilities:			
Accounts payable	\$ 123,933	128,507	(4,574)
Payable from restricted assets:			
Landfill fees	13,132	9,669	3,463
Sewer fees	471,864	376,467	95,397
Storm sewer fees	120,904	95,300	25,604
Customer deposits - sewer	130,295	130,505	(210)
Customer deposits - water	92,090	95,295	(3,205)
Revenue note	321,000	364,000	(43,000)
Accrued interest	9,827	11,143	(1,316)
Accrued liabilities	159,390	135,400	23,990
Deferred revenue	-	26,227	(26,227)
Total current liabilities	<u>1,442,435</u>	<u>1,372,513</u>	<u>69,922</u>
Non-current liabilities:			
Revenue note	5,657,000	6,414,531	(757,531)
Net pension liability	2,036,058	1,957,289	78,769
Total OPEB liability	-	200,516	(200,516)
Total non-current liabilities	<u>7,693,058</u>	<u>8,572,336</u>	<u>(879,278)</u>
Total liabilities	<u>9,135,493</u>	<u>9,944,849</u>	<u>(809,356)</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Unavailable revenues:			
Pension related deferred inflows	<u>96,445</u>	<u>44,494</u>	<u>51,951</u>
Total liabilities and deferred inflows of resources	<u>9,231,938</u>	<u>9,989,343</u>	<u>(757,405)</u>
<b><u>NET POSITION:</u></b>			
Net investment in capital assets	13,301,286	12,245,798	1,055,488
Restricted for:			
Revenue note retirement	440,560	491,645	(51,085)
Unrestricted	<u>3,061,502</u>	<u>1,811,530</u>	<u>1,249,972</u>
Total net position	<u>16,803,348</u>	<u>14,548,973</u>	<u>2,254,375</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>26,035,286</u>	<u>24,538,316</u>	<u>1,496,970</u>

# MARSHALLTOWN WATER WORKS

## Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Residential	\$ 1,780,239	1,617,309	162,930
Multi-family	210,817	201,786	9,031
Commercial	502,355	473,486	28,869
Irrigation	56,247	55,019	1,228
Industrial	2,277,137	1,723,444	553,693
Wholesale	916,580	788,095	128,485
Non-metered	1,408	1,522	(114)
City contract services	82,244	82,183	61
Penalties	45,741	51,117	(5,376)
Customer service	43,096	44,695	(1,599)
Testing laboratory	2,628	4,060	(1,432)
Refunds	-	35	(35)
Total operating revenues	<u>5,918,492</u>	<u>5,042,751</u>	<u>875,741</u>
Operating expenses:			
Salaries and wages	1,152,237	1,080,474	71,763
Payroll taxes and benefits	526,266	458,612	67,654
Utilities	348,006	426,209	(78,203)
Fuels	33,844	24,404	9,440
Supplies	152,500	161,722	(9,222)
Maintenance	240,808	168,772	72,036
Chemicals	1,111,762	1,022,290	89,472
Contract services	100,740	6,872	93,868
Insurance	68,479	68,181	298
Professional fees	29,854	30,772	(918)
Other operating expense	53,571	44,152	9,419
Depreciation	472,464	600,774	(128,310)
Total operating expenses	<u>4,290,531</u>	<u>4,093,234</u>	<u>197,297</u>
Operating income	<u>1,627,961</u>	<u>949,517</u>	<u>678,444</u>

# MARSHALLTOWN WATER WORKS

## Statements of Revenues, Expenses and Changes in Net Position (Continued) For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Non-operating revenues (expenses):			
Interest income	46,823	39,251	7,572
Rentals	3,666	4,462	(796)
SRF loan forgiveness	490,039	-	490,039
Miscellaneous revenue	232,408	23,768	208,640
Interest expense	(125,847)	(141,372)	15,525
Miscellaneous expense	<u>(20,675)</u>	<u>(26,942)</u>	<u>6,267</u>
Net non-operating revenues (expenses)	<u>626,414</u>	<u>(100,833)</u>	<u>727,247</u>
Changes in net position	2,254,375	848,684	1,405,691
Net position beginning of year	<u>14,548,973</u>	<u>13,700,289</u>	<u>848,684</u>
Net position end of year	<u>\$ 16,803,348</u>	<u>14,548,973</u>	<u>2,254,375</u>

# MARSHALLTOWN WATER WORKS

## Statements of Cash Flows For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 5,844,637	5,010,270
Cash payments to suppliers for goods and services	(2,233,304)	(1,883,982)
Cash payments to employees and professional contractors for services	(1,647,770)	(1,561,152)
Net cash provided by operating activities	<u>1,963,563</u>	<u>1,565,136</u>
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of investments	708,766	701,484
Purchase of investments	(707,849)	(705,581)
Investment income	46,823	39,251
Receipt of rental income	3,666	4,462
Other non-operating income (expenses)	211,733	(3,174)
Net cash provided by investing activities	<u>263,139</u>	<u>36,442</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(758,385)	(328,385)
Disposition of capital assets	30,964	-
Proceeds from revenue note	5,000	58,452
Principal paid on revenue note	(315,492)	(357,000)
Interest paid on revenue note	(127,163)	(141,863)
Net cash used for capital and related financing activities	<u>(1,165,076)</u>	<u>(768,796)</u>
<b>Net change in cash and cash equivalents</b>	<b>1,061,626</b>	<b>832,782</b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>3,811,160</u></b>	<b><u>2,978,378</u></b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ <u>4,872,786</u></b>	<b><u>3,811,160</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 1,627,961	919,517
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	472,464	600,774

# MARSHALLTOWN WATER WORKS

## Statements of Cash Flows (Continued) For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
(Increase) decrease in assets:		
Accounts receivable	(79,063)	6,392
Unbilled water usage	19,294	(29,056)
Other receivables	(14,086)	(9,817)
Prepaid expenses	(6,137)	(1,824)
Deferred outflows of resources	(101,312)	(54,161)
Increase (decrease) in liabilities:		
Accounts payable	(4,574)	40,844
Payable to sewer fund	95,397	(34,357)
Payable to landfill fund	3,463	(874)
Payable to storm sewer fund	25,604	(1,848)
Customer deposits-sewer	(210)	1,420
Customer deposits-water	(3,205)	2,770
Accrued liabilities	23,990	(4,992)
Deferred revenue	(26,227)	26,227
Net pension liability	78,769	34,876
Total OPEB Liability	(200,516)	15,717
Deferred inflows of resources	51,951	23,528
Net cash provided by operating activities	<u>\$ 1,963,563</u>	<u>1,535,136</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included in the Statements of Net Position:</b>		
Current assets:		
Cash and cash equivalents	\$ 4,009,673	3,057,349
Sinking fund	36,713	41,907
Restricted assets:		
Cash and cash equivalents:		
Water deposits	92,090	95,295
Sewer deposits	130,295	130,505
Sewer cash	471,491	378,994
Storm sewer cash	119,392	97,441
Landfill cash	13,132	9,669
Cash and cash equivalents at year end	<u>\$ 4,872,786</u>	<u>3,811,160</u>

# **MARSHALLTOWN WATER WORKS**

## **Notes to Financial Statements June 30, 2020 and 2019**

### **Note 1. Summary of Significant Accounting Policies**

The Marshalltown Water Works (the Water Works) is a component unit of the City of Marshalltown, as determined by criteria specified by the Governmental Accounting Standards Board. The Marshalltown Water Works is governed by a three-member board of trustees appointed by the Mayor and confirmed by the City Council, which exercises oversight responsibility under this criteria.

The financial statements of the Water Works have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

The accounts of the Water Works are primarily organized as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

The Water Works distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods regarding the Water Works' principal ongoing operations. The principal operating revenues of the Water Works are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **A. Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, all short-term investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

#### **B. Customer Accounts and Unbilled Usage**

Accounts receivable represent uncollected amounts billed for water usage at June 30, 2020 and 2019. Because of the Water Works' policy to deny continued service to customers with past due bills, management believes uncollectible accounts are negligible. Therefore, no allowance for uncollectible accounts has been recorded. Unbilled usage for service consumed between periodic schedule billing dates is estimated and is recognized as revenue in the period in which the service is provided.



# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Budgets

In accordance with the Code of Iowa, the Water Works annually adopts a budget on the accrual basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

#### D. Estimates

The Water Works uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

#### E. Capital Assets

Additions to the plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Reportable capital assets are defined by the Water Works as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Plants, wells, storage and distribution	\$5,000
Meters	5,000
Equipment and vehicles	1,000

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Asset Class	Estimated Useful Lives (In Years)
Plants, wells and storage	10-40 years
Distribution property	50-99 years
Meters	10-20 years
Vehicles	5 years
Equipment	7-10 years

# **MARSHALLTOWN WATER WORKS**

## **Notes to Financial Statements (Continued) June 30, 2020 and 2019**

### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **F. Restricted Assets**

Restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers and amounts due to the City of Marshalltown for collection of sewer, landfill and storm sewer fees.

#### **G. Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Water Works after the measurement date but before the end of the Water Works' reporting period.

#### **H. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **I. Total OPEB Liability**

For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the Marshalltown Water Works' actuarial report prepared using the alternative measurement method. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

#### **J. Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the Statements of Net Position consist of unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 1. Summary of Significant Accounting Policies (Continued)

#### K. Net Position

Net Position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

#### L. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### Note 2. Cash, Cash Equivalents and Pooled Investments

The Water Works' deposits at June 30, 2020 and 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Water Works is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants on improvement certificates of a drainage district.

The Water Works' investments consist entirely of certificates of deposits at June 30, 2020 and 2019. The Water Works had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk – The Water Works' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Water Works.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 3. Compensated Absences

Water Works employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death and unused sick leave for subsequent use or payment upon retirement or death. The liability is recorded in the Statements of Net Position based on current rates of pay.

### Note 4. Pension Plan – IPERS

Plan Description – IPERS membership is mandatory for employees of the Water Works, except for those covered by the Marshalltown Water Works Supplemental Retirement and Pension Plan. Employees of the Water Works are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 4. Pension Plan – IPERS (Continued)

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Water Works contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Water Works' contributions to IPERS for the year ended June 30, 2020 totaled \$63,183.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Water Works reported a liability of \$512,025 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the Water Works' collective proportion was .008842%, which was an increase of .000529% from its proportion measured as of June 30, 2018.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 4. Pension Plan – IPERS (Continued)

For the year ended June 30, 2020, the Water Works recognized pension expense of \$108,991. At June 30, 2020, the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,419	18,410
Changes of assumptions	54,845	-
Net difference between projected and actual earnings on IPERS' investments	-	57,700
Changes in proportion and differences between Water Works contributions and the Water Works' proportionate share of contributions	60,990	4,640
Water Works contributions subsequent to the measurement date	63,183	-
Total	\$ 180,437	80,750

\$63,183 reported as deferred outflows of resources related to pensions resulting from Water Works contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Total
2021	\$ 26,396
2022	2,470
2023	7,280
2024	(1,016)
2025	1,374
	\$ 36,504

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 4. Pension Plan – IPERS (Continued)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0 %</u>	

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 4. Pension Plan – IPERS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Water Works will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Water Works' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Water Works' proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Water Works' proportionate share of the net pension liability	\$ 909,191	512,025	178,886

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS – All legally required Water Works contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Water Works to IPERS by June 30, 2020.

### Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan

Plan Description – The Water Works maintains the Marshalltown Water Works Supplemental Retirement and Pension Plan, which is a single employer defined benefit plan administered by United Bank and Trust.

The Plan was established by the Marshalltown Water Works' Board of Trustees on September 30, 1953. The Plan was restated and amended on January 1, 2014. The Board of Trustees has the authority to amend the Plan at any time.



# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan (Continued)

Pension Benefits – Employees who retire at or after age 65, or age 62 with 25 years of credited service, are entitled to retirement benefits payable monthly for life. Monthly benefits are equal to 2.12% of the employee's five-year final average salary multiplied by the number of years of consecutive service for the year ended June 30, 2020. Service prior to January 1, 1986 shall be limited to 25 years. Benefits are fully vested on reaching 10 or more years of credited service.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability benefits is eligible to claim Water Works pension benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement and has participated in the plan for 10 or more years prior to death, and is totally vested, the surviving spouse may request a return of the participant's accrued contributions with interest to the date of the participant's death, or may leave the balance in the pension plan and be entitled to a joint and 100% survivor annuity at the time the participant would have become eligible for pension benefits.

Contributions – The Water Works' funding policy provides for employer and employee contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. The frozen entry age actuarial cost method is used to determine annual plan costs. The employer contribution rate for the years ended June 30, 2020 and 2019 was 8.93% plus an additional \$5,000 per bi-weekly payroll for fiscal year 2020 and \$4,000 per bi-weekly payroll for fiscal year 2019. The employee contribution rate for the years ended June 30, 2020 and 2019 was 4.95%. Contributions paid by the Water Works for the year ended June 30, 2020 totaled \$168,760, and the contributions paid by employees totaled \$21,485.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Water Works reported a net pension liability of \$1,524,033. The net pension liability was measured as of April 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020.

For the year ended June 30, 2019, the Water Works recognized pension expense of \$142,611. At June 30, 2020 the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	4,400
Net difference between projected and actual earnings on pension plan investments	138,495	11,295
Total	\$ 138,495	15,695

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending June 30,	Total
2021	\$ 22,631
2022	34,096
2023	36,213
2024	29,860
2025	-
	\$ 122,800

Actuarial Assumptions – The total pension liability in the April 1, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rates of salary increase (effective April 1, 2020)	3.00% per annum.
Long-term investment rate of return (effective April 1, 2020)	7.00%, compounded annually.

The actuarial assumptions used in the April 1, 2020 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan (Continued)

Mortality rates were based on the 1983 Group Annuity Mortality Table.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation). These ranges are combined to produce the long-term expected rate of return. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.40% based on the target allocation of assets summarized in the following table:

Asset Class	Asset Allocation
Large cap equity	30 %
Small cap equity	10
International equity	10
High dividend equity	10
Fixed income	40
Total	100 %

Sensitivity of the Water Works' Net Pension Liability to Changes in the Discount Rate – The following presents the Water Works' net pension liability calculated using the discount rate of 7.00%, as well as what the Water Works' net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Water Works' net pension liability	\$ 1,737,437	1,524,033	1,340,042

### Note 6. Concentrations of Credit Risk

Concentrations of credit risk with respect to accounts receivable is limited due to the large number of customers comprising the Water Works' customer base and the Water Works' policy of receiving a deposit amount or a credit reference from another utility before beginning service. However, some risk exists due to the small geographic location of the receivables.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 7. Capital Assets

Capital assets are stated at cost as follows at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,115,721	1,115,721
Plant and source of supply	18,270,005	18,013,606
Booster station	165,996	165,996
Distribution system and pipe	13,398,604	13,034,324
Meters	1,440,778	1,427,349
Machinery and equipment	467,055	467,055
Vehicles	254,530	218,685
Capital improvements	113,916	113,916
Capital improvements - buildings	642,767	642,767
Office equipment and furnishings	416,616	390,112
	<u>36,285,988</u>	<u>35,589,531</u>
Less accumulated depreciation	<u>(17,006,702)</u>	<u>(16,565,202)</u>
	<u>\$ 19,279,286</u>	<u>19,024,329</u>

Depreciation expense was \$472,464 for the year ended June 30, 2020 and \$600,774 for the year ended June 30, 2019.

### Note 8. Risk Management

The Water Works is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Water Works assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for 2020 and 2019. There have been no reductions in insurance coverage from prior years.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 9 . Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Revenue note	\$ 6,778,531	5,000	805,531	5,978,000	321,000
Net pension liability	1,957,289	78,769	-	2,036,058	-
Total OPEB liability	200,516	-	200,516	-	-
Total	\$ 8,936,336	83,769	1,006,047	8,014,058	321,000

### Revenue note

One issue of an unmatured revenue note, totaling \$5,978,000, is outstanding at June 30, 2020. The revenue note is a State Revolving Loan under the Iowa Drinking Water Facilities Financing Program to fund improvements to the water plant. The revenue note has a total issue price of \$7,833,531. This note bears interest at a rate of 1.75% per annum and a service fee of 0.25% per annum and matures in varying annual amounts ranging from \$343,000 to \$432,000, with the final maturity due in the year ending June 30, 2036.

The Water Works has pledged future water revenues, net of specified operating expenses to repay the revenue note. Proceeds from the note provided financing for the construction of improvements to the water treatment plant. The note is payable solely from water customer net revenues and is payable through 2036.

The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The note will only be redeemed from the future earnings of the water fund and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a revenue note retirement account for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the note falling due in the same year.

During the year ended June 30, 2020, the Water Works was in compliance with the revenue note provisions.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2020 and 2019

### Note 9. Long-Term Liabilities (Continued)

Details of the revenue note payable at June 30, 2020 is as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Oustanding June 30, 2020
Revenue note	July 29, 2016	1.75%	June 1, 2036	\$343,000-432,000	\$7,833,531	<u>\$5,978,000</u>

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 321,000	104,615	425,615
2022	327,000	98,998	425,998
2023	334,000	93,275	427,275
2024	340,000	87,430	427,430
2025	347,000	81,480	428,480
2026-2030	1,842,000	313,845	2,155,845
2030-2035	2,035,000	146,038	2,181,038
2036	432,000	7,560	439,560
Total	<u>\$ 5,978,000</u>	<u>933,241</u>	<u>6,911,241</u>

### Note 10. Date of Management Evaluation

Management has evaluated subsequent events through November 10, 2020, the date on which the financial statements were available to be issued.

## **Required Supplementary Information**

# MARSHALLTOWN WATER WORKS

## Budgetary Comparison Schedule of Revenues, Expenses and Changes in Balances - Budget and Actual Required Supplementary Information For the Year Ended June 30, 2020

		Budgeted Amounts		Final to Actual Variance
	Actual	Original	Final	
Revenues:				
Charges for services	\$ 5,918,492	5,104,086	6,140,388	(221,896)
Miscellaneous	772,936	25,000	30,000	742,936
Total revenues	6,691,428	5,129,086	6,170,388	521,040
Expenses:				
Business type activities	4,437,053	4,664,873	5,304,860	867,807
Increase in net position	2,254,375	464,213	865,528	1,388,847
Net position beginning of year	14,548,973	3,790,806	4,068,348	10,480,625
Net position end of year	\$ 16,803,348	4,255,019	4,933,876	11,869,472



# **MARSHALLTOWN WATER WORKS**

## **Notes to Required Supplementary Information – Budgetary Reporting June 30, 2020**

In accordance with the Code of Iowa, the Water Works' Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2020 expenditures did not exceed the amounts budgeted.

# MARSHALLTOWN WATER WORKS

## Schedule of the Water Works' Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System For the Last Six Years\* Required Supplementary Information

	2020	2019	2018
Water Works' proportion of the net pension liability	0.008842 %	0.008313 %	0.007153 %
Water Works' proportionate share of the net pension liability	\$ 512,025	526,041	476,503
Water Works' covered payroll	\$ 672,930	624,770	533,963
Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	76.09 %	84.20 %	89.24 %
Plan fiduciary net position as a percentage of the total pension liability	85.45 %	83.62 %	82.21 %

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

2017	2016	2015
0.007343 %	0.007330 %	0.007533 %
462,143	362,120	298,746
526,989	502,146	492,923
87.69 %	72.11 %	60.61 %
81.82 %	85.19 %	87.61 %

# MARSHALLTOWN WATER WORKS

## Schedule of the Water Works' Net Pension Liability Supplemental Retirement and Pension Plan For the Last Six Years Required Supplementary Information

	2020*	2019*	2018*
Water Works' net pension liability	\$ 1,524,033	1,431,248	1,445,910
Water Works' covered payroll	\$ 434,039	365,396	421,308
Water Works' net pension liability as a percentage of its covered payroll	351 %	391 %	343 %
Plan fiduciary net position as a percentage of the total pension liability	43.22 %	46.89 %	46.78 %

\* The amounts presented for each fiscal year were determined as of April 1.

<b>2017*</b>	<b>2016*</b>	<b>2015*</b>
1,476,868	1,547,805	1,471,746
385,702	471,164	448,704
383 %	329 %	328 %
45.72 %	44.16 %	46.85 %

# MARSHALLTOWN WATER WORKS

## Schedule of Water Works' Contributions Iowa Public Employees' Retirement System For the Last Ten Years Required Supplementary Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 63,183	63,525	55,792	47,683
Contributions in relation to the statutorily required contribution	(63,183)	(63,525)	(55,792)	(47,683)
Contribution deficiency (excess)	\$ -	-	-	-
Water Works' covered payroll	\$ 669,308	672,930	624,770	533,963
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%

<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
47,060	44,842	44,018	41,028	36,382	30,686
(47,060)	(44,842)	(44,018)	(41,028)	(36,382)	(30,686)
-	-	-	-	-	-
526,989	502,146	492,923	473,218	450,830	441,525
8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

# MARSHALLTOWN WATER WORKS

## Schedule of Water Works' Contributions Supplemental Retirement and Pension Plan For the Last Ten Years Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially required contribution	\$ 38,760	32,630	34,104	44,575
Contributions in relation to the actuarially required contribution	(168,760)	(136,630)	(138,104)	(152,140)
Contribution deficiency (excess)	<u>\$ (130,000)</u>	<u>(104,000)</u>	<u>(104,000)</u>	<u>(107,565)</u>
Water Works' covered payroll	\$ 434,039	365,396	381,898	499,157
Required contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%



2016	2015	2014	2013	2012	2011
41,344	43,145	44,683	41,519	34,779	34,117
(119,344)	(121,145)	(122,357)	(117,189)	(112,779)	(111,885)
(78,000)	(78,000)	(77,674)	(75,670)	(78,000)	(77,768)
462,980	483,147	500,366	478,884	479,708	470,579
8.93%	8.93%	8.93%	8.67%	7.25%	7.25%

# **MARSHALLTOWN WATER WORKS**

## **Notes to Required Supplementary Information – IPERS Pension Liability Year ended June 30, 2020**

### *Changes of benefit terms:*

There are no significant changes in benefit terms.

### *Changes of assumptions:*

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

# MARSHALLTOWN WATER WORKS

## Schedule of Changes in the Water Works' Total OPEB Liability, Related Ratios and Notes For the Last Three Years Required Supplementary Information

	2020	2019	2018
Service cost	\$ -	15,716	12,070
Interest cost	-	7,613	5,622
Economic/demographic gains/losses	-	-	7,447
Changes in assumptions	(200,516)	-	31,173
Benefit payments	-	(7,612)	-
Net change in total OPEB liability	(200,516)	15,717	56,312
Total OPEB liability beginning of year	200,516	184,799	128,487
Total OPEB liability end of year	\$ -	200,516	184,799
Covered-employee payroll	\$ 948,718	996,515	967,490
Total OPEB liability as a percentage of covered-employee payroll	0.00%	20.12%	19.10%

### Notes to Schedule of Changes in the Water Works' Total OPEB Liability and Related Ratios

#### *Changes in benefit terms:*

Beginning in fiscal year 2020 the Water Works' health insurance was covered under the Affordable Care Act's adjusted community rating and will have rates that vary by age. Retirees will pay the resulting premium based on their attained age. Due to the rates being based on actual age of the retiree, the Water Works had no OPEB liability at June 30, 2020.

#### *Changes in assumptions:*

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	0.00%
Year ended June 30, 2019	3.87%
Year ended June 30, 2018	3.87%

## **Supplementary Information**

# MARSHALLTOWN WATER WORKS

## Schedules of Net Position Detail June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Cash:			
Cash on hand	\$ 330	330	-
Petty cash	300	300	-
Cash in bank	4,045,756	3,098,626	947,130
Water deposits	92,090	95,295	(3,205)
Total cash	<u>4,138,476</u>	<u>3,194,551</u>	<u>943,925</u>
Cash held for city:			
Sewer deposit fund	130,295	130,505	(210)
Sewer cash	471,491	378,994	92,497
Storm sewer cash	119,392	97,441	21,951
Landfill cash	13,132	9,669	3,463
Total cash held for city	<u>734,310</u>	<u>616,609</u>	<u>117,701</u>
Total cash and cash equivalents	<u>\$ 4,872,786</u>	<u>3,811,160</u>	<u>1,061,626</u>
Capital assets:			
Land	\$ 1,115,721	1,115,721	-
Plant and source of supply	18,270,005	18,013,606	256,399
Accumulated depreciation - plant	(10,159,312)	(9,899,605)	(259,707)
Distribution system and pipe	13,398,604	13,034,324	364,280
Accumulated depreciation - distribution	(4,089,714)	(3,957,073)	(132,641)
Booster station	165,996	165,996	-
Accumulated depreciation-booster station	(88,258)	(85,759)	(2,499)
Meters	1,440,778	1,427,349	13,429
Accumulated depreciation - meters	(1,178,564)	(1,156,267)	(22,297)
Machinery and equipment	467,055	467,055	-
Accumulated depreciation - machinery and equipment	(392,454)	(378,228)	(14,226)
Vehicles	254,530	218,685	35,845
Accumulated depreciation - vehicles	(189,768)	(207,141)	17,373
Capital improvements	113,916	113,916	-
Accumulated depreciation - capital improvements	(86,746)	(77,626)	(9,120)
Capital improvements - buildings	642,767	642,767	-
Accumulated depreciation - buildings	(431,547)	(417,220)	(14,327)
Office equipment and furnishings	416,616	390,112	26,504
Accumulated depreciation - office equipment and furnishings	<u>(390,339)</u>	<u>(386,283)</u>	<u>(4,056)</u>
Net capital assets	<u>\$ 19,279,286</u>	<u>19,024,329</u>	<u>254,957</u>

# MARSHALLTOWN WATER WORKS

## Schedules of Net Position Detail (Continued) June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Prepaid expenses:			
Prepaid insurance	\$ 19,628	18,540	1,088
Prepaid computer maintenance	27,463	26,309	1,154
Prepaid billing supplies	<u>7,044</u>	<u>3,149</u>	<u>3,895</u>
Total prepaid expenses	<u>\$ 54,135</u>	<u>47,998</u>	<u>6,137</u>
Other receivables:			
Miscellaneous accounts receivable billings	\$ 52,439	36,117	16,322
Interest receivable	<u>2,980</u>	<u>5,216</u>	<u>(2,236)</u>
Total other receivables	<u>\$ 55,419</u>	<u>41,333</u>	<u>14,086</u>
Accrued liabilities:			
Accrued sales tax	\$ 10,331	17,074	(6,743)
Accrued F.I.C.A.	3,000	1,666	1,334
Accrued payroll	40,463	22,811	17,652
Accrued pension	1,234	697	537
Accrued vacation	100,307	93,141	7,166
Accrued retirement expense	2,495	1,384	1,111
Accrued health savings account	1,560	-	1,560
Insurance deductible	<u>-</u>	<u>(1,373)</u>	<u>1,373</u>
Total accrued liabilities	<u>\$ 159,390</u>	<u>135,400</u>	<u>23,990</u>

# MARSHALLTOWN WATER WORKS

## Schedules of Treatment Plant Expenses For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Salaries:			
Operational	\$ <u>391,967</u>	<u>375,346</u>	<u>16,621</u>
Employee benefits:			
Health insurance	67,824	59,921	7,903
Pension	90,057	70,625	19,431
Social security	28,686	27,332	1,354
Life insurance	1,108	890	218
Mileage	109	286	(177)
Registration	1,300	1,056	244
Lodging	-	220	(220)
Safety clothing	1,001	724	277
Medical	-	124	(124)
Dues	-	175	(175)
Food	30	-	30
	<u>190,115</u>	<u>161,353</u>	<u>28,761</u>
Utilities:			
Electric	324,809	394,364	(69,555)
Gas	1,998	10,977	(8,979)
Internet	1,235	1,510	(275)
Telephone	1,182	1,270	(88)
	<u>329,224</u>	<u>408,121</u>	<u>(78,897)</u>
Depreciation:			
Plant depreciation	259,708	395,659	(135,951)
Vehicle depreciation	8,361	4,694	3,667
	<u>268,069</u>	<u>400,353</u>	<u>(132,284)</u>
Fuels:			
Gas	1,154	962	192
Oil	3,683	-	3,683
Diesel	1,664	6,828	(5,164)
LP	17,392	4,292	13,100
Grease	903	-	903
	<u>24,796</u>	<u>12,082</u>	<u>12,714</u>
Supplies:			
Lab supplies	29,396	23,705	5,691
Plant supplies	441	799	(358)

# MARSHALLTOWN WATER WORKS

## Schedules of Treatment Plant Expenses (Continued) For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Supplies (continued):			
Building supplies	419	1,003	(584)
Well supplies	-	133	(133)
Cleaning supplies	55	136	(81)
General supplies	3,379	1,433	1,946
Health and first aid	441	838	(397)
Safety equipment	678	2,206	(1,528)
Operational fees and permits	892	445	447
CIWA meter pit supplies	-	1,857	(1,857)
	<u>35,701</u>	<u>32,555</u>	<u>3,146</u>
Maintenance:			
Building maintenance	4,727	16,969	(12,242)
Machinery maintenance	97,472	44,413	53,059
Heating and air conditioner maintenance	2,933	180	2,753
Computer maintenance	4,694	367	4,327
Safety equipment maintenance	1,495	-	1,495
CIWA meter pit maintenance	261	-	261
Grounds maintenance	16,940	5,637	11,303
Well field maintenance	21,101	13,570	7,531
Vehicle maintenance	1,418	304	1,114
Generator	11,700	18,645	(6,945)
	<u>162,741</u>	<u>100,085</u>	<u>62,656</u>
Chemicals:			
Pebble-lime	433,364	415,561	17,803
CO2	47,229	41,996	5,233
CL2	53,072	58,424	(5,352)
Fluoride	12,032	15,812	(3,780)
Poly-phosphate	12,096	12,817	(721)
Lime sludge removal	540,000	454,667	85,333
Sodium chlorite	13,969	23,013	(9,044)
	<u>1,111,762</u>	<u>1,022,290</u>	<u>89,472</u>
Contract services:			
Lab services	<u>3,936</u>	<u>2,914</u>	<u>1,022</u>
Total treatment plant	<u>\$ 2,518,311</u>	<u>2,515,099</u>	<u>3,211</u>



# MARSHALLTOWN WATER WORKS

## Schedules of Construction and Maintenance Expenses For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Salaries:			
General salaries	\$ <u>272,776</u>	<u>250,103</u>	<u>22,673</u>
Employee benefits:			
Health insurance	39,190	56,047	(16,857)
Pension	60,633	48,696	11,937
Social security	19,487	18,284	1,203
Life insurance	568	469	99
Mileage	566	515	51
Registration	1,512	1,426	86
Lodging	126	121	5
Food	209	242	(33)
Safety training	-	255	(255)
Safety clothing	1,303	1,181	122
Medical	457	-	457
	<u>124,051</u>	<u>127,236</u>	<u>(3,185)</u>
Depreciation:			
Distribution depreciation	132,640	128,610	4,030
Booster station depreciation	2,500	2,500	-
Equipment depreciation	14,226	10,814	3,412
	<u>149,366</u>	<u>141,924</u>	<u>7,442</u>
Fuels:			
Gas	2,224	3,567	(1,343)
Oil	717	611	106
Diesel fuel	2,858	4,503	(1,645)
	<u>5,799</u>	<u>8,681</u>	<u>(2,882)</u>

# MARSHALLTOWN WATER WORKS

## Schedules of Construction and Maintenance Expenses (Continued) For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Supplies:			
Distribution supplies	6,829	1,793	5,036
Shop supplies	1,718	1,832	(114)
Leak repair supplies	74,462	96,949	(22,487)
Hydrant and valve supplies	2,699	3,115	(416)
Data processing supplies	613	121	492
Operational fees and permits	2	318	(316)
Safety equipment	1,742	-	1,742
Health and first aid	164	-	164
Booster station supplies	34	25	9
	<u>88,263</u>	<u>104,153</u>	<u>(15,890)</u>
Maintenance:			
Vehicle maintenance	8,607	4,805	3,802
Equipment maintenance	2,837	3,580	(743)
Computer maintenance	959	973	(14)
Safety equipment maintenance	28	28	-
Tower maintenance	517	3,743	(3,226)
Well field maintenance	50	35	15
Booster station maintenance	3,402	255	3,147
	<u>16,400</u>	<u>13,419</u>	<u>2,981</u>
Total construction and maintenance	<u>\$ 656,655</u>	<u>645,516</u>	<u>11,139</u>

# MARSHALLTOWN WATER WORKS

## Schedules of Customer Service and Meter Expenses For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Salaries:			
Salaries	\$ <u>146,613</u>	<u>130,217</u>	<u>16,396</u>
Employee benefits:			
Health insurance	13,586	11,910	1,676
Pension	32,936	26,453	6,483
Social security	11,013	9,660	1,353
Life insurance	260	338	(78)
Mileage	20	-	20
Registration	82	-	82
Safety training	-	535	(535)
Safety clothing	515	921	(406)
	<u>58,412</u>	<u>49,817</u>	<u>8,595</u>
Depreciation:			
Vehicle depreciation	5,229	3,631	1,598
Meter depreciation	22,297	26,767	(4,470)
	<u>27,526</u>	<u>30,398</u>	<u>(2,872)</u>
Fuels:			
Gas	3,061	3,571	(510)
Oil	188	70	118
	<u>3,249</u>	<u>3,641</u>	<u>(392)</u>
Maintenance:			
Vehicle maintenance	1,203	464	739
Equipment maintenance	929	840	89
Safety equipment maintenance	561	62	499
	<u>2,693</u>	<u>1,366</u>	<u>1,327</u>
Supplies:			
General supplies	1,561	820	741
Meter repair supplies	3,805	4,159	(354)
Shop supplies	193	255	(62)
Health and first aid	174	-	174
Service repair supplies	1,868	1,900	(32)
	<u>7,601</u>	<u>7,134</u>	<u>467</u>
Total customer service and meter	\$ <u><u>246,094</u></u>	<u><u>222,573</u></u>	<u><u>23,521</u></u>

# MARSHALLTOWN WATER WORKS

## Schedules of Administrative and Non-Operating Expenses For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Salaries:			
Administrative salaries	\$ <u>340,881</u>	<u>324,808</u>	<u>16,073</u>
Employee benefits:			
Health insurance	33,381	27,776	5,605
Pension	79,575	59,254	20,321
Social security	25,285	23,914	1,371
Life insurance	924	750	174
Mileage	3,559	991	2,568
Registration fees	1,272	335	937
Dues and subscriptions	7,834	6,862	972
Safety clothing and training	115	256	(141)
Tuition	114	-	114
Lodging	1,175	-	1,175
Food	454	68	386
	<u>153,688</u>	<u>120,206</u>	<u>33,482</u>
Utilities:			
Electricity	9,258	8,745	513
Gas	2,905	3,812	(907)
Internet expense	3,085	1,474	1,611
Telephone	3,534	4,057	(523)
	<u>18,782</u>	<u>18,088</u>	<u>694</u>
Depreciation:			
Building depreciation	14,327	15,103	(776)
Capital improvement depreciation	9,120	9,120	-
Equipment depreciation	4,056	3,876	180
	<u>27,503</u>	<u>28,099</u>	<u>(596)</u>
General supplies:			
Office supplies	4,274	-	4,274
Data processing supplies	1,990	4,854	(2,864)
Building supplies	184	147	37
Cleaning supplies	277	396	(119)
General supplies	6,058	7,425	(1,367)
Operational fees and permits	7,153	3,830	3,323
Health and first aid	959	1,228	(269)
Safety equipment	40	-	40
	<u>20,935</u>	<u>17,880</u>	<u>3,055</u>

# MARSHALLTOWN WATER WORKS

## Schedules of Administrative and Non-Operating Expenses (Continued) For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Maintenance:			
Computer maintenance	40,752	41,807	(1,055)
Office machine maintenance	1,745	3,920	(2,175)
Grounds maintenance	1,691	458	1,233
Storm sewer	1,032	1,032	-
Heating and air conditioning maintenance	5,160	-	5,160
Building maintenance	8,594	6,685	1,909
	<u>58,974</u>	<u>53,902</u>	<u>5,072</u>
Administrative expenses:			
Insurance	68,479	68,181	298
Banking services	18,681	14,527	4,154
Legal services	7,547	17,534	(9,987)
Cleaning services	7,367	6,530	837
Accounting services	22,307	13,238	9,069
Postage	18,877	19,902	(1,025)
Public notices	8,646	3,193	5,453
Engineering services	93,878	-	93,878
Computer services	-	410	(410)
Contract services	2,926	3,548	(622)
	<u>248,708</u>	<u>147,063</u>	<u>101,645</u>
Total administrative expenses	<u>\$ 869,471</u>	<u>710,046</u>	<u>159,425</u>
Non-operating expenses:			
Board compensation	\$ 675	1,125	(450)
Interest expense	125,847	141,372	(15,525)
Miscellaneous	-	15,717	(15,717)
Economic development	20,000	10,100	9,900
Total non-operating expenses	<u>\$ 146,522</u>	<u>168,314</u>	<u>(21,792)</u>

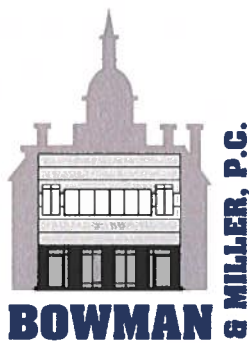
# MARSHALLTOWN WATER WORKS

## Schedules of Indebtedness For the Year Ended June 30, 2020

	<u>Revenue Note</u>
Date of issue	July 29, 2016
Interest rate	1.75%
Original amount	\$ <u>7,833,531</u>
Balance, beginning of year	\$ 6,778,531
Issued during year	5,000
Redeemed during year	<u>805,531</u>
Balance, end of year	\$ <u>5,978,000</u>
Current portion (due in one year)	\$ <u>321,000</u>

## For the Year Ended June 30, 2019

	<u>Revenue Note</u>
Date of issue	July 29, 2016
Interest rate	1.75%
Original amount	\$ <u>7,833,531</u>
Balance, beginning of year	\$ 7,077,079
Issued during year	58,452
Redeemed during year	<u>357,000</u>
Balance, end of year	\$ <u>6,778,531</u>
Current portion (due in one year)	\$ <u>364,000</u>



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on  
Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on Audits  
of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Trustees of the  
Marshalltown Water Works  
Marshalltown, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Marshalltown Water Works, as of and for the years ended June 30, 2020 and 2019, and the related Notes to Financial Statements, and have issued our report thereon dated November 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Marshalltown Water Works' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshalltown Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of Marshalltown Water Works' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Water Works' financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshalltown Water Works' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Water Works' operations for the years ended June 30, 2020 and 2019 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Water Works. Since our audits were based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Marshalltown Water Works' Responses to the Findings

Marshalltown Water Works' response to the finding identified in our audit is described in the accompanying Schedule of Findings. Marshalltown Water Works' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Water Works' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Water Works' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Marshalltown Water Works during the course of our audits. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
November 10, 2020



# **MARSHALLTOWN WATER WORKS**

## **Schedule of Findings Years Ended June 30, 2020 and 2019**

### **Part I: Summary of the Independent Auditors' Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audits of the financial statements.
- (c) The audits did not disclose any non-compliance which is material to the financial statements.

# MARSHALLTOWN WATER WORKS

## Schedule of Findings (Continued) Years Ended June 30, 2020 and 2019

### FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

No matters were noted.

### INSTANCES OF NON-COMPLIANCE:

No matters were noted.

### Part II: Other Findings Related to Required Statutory Reporting:

- 20-II-A Certified Budget - Expenditures during the years ended June 30, 2020 and 2019, did not exceed the amounts budgeted.
- 20-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 20-II-C Travel Expense - No expenditures of Marshalltown Water Works' money for travel expenses of spouses of Marshalltown Water Works officials or employees were noted.
- 20-II-D Business Transactions - No business transactions between the Water Works and Water Works officials or employees were noted.
- 20-II-E Restricted Donor Activity - No transactions were noted between the Water Works, Water Works officials and Water Works employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 20-II-F Bond Coverage - Surety bond coverage of Water Works' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 20-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 20-II-H Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Water Works' investment policy were noted.
- 20-II-I Revenue Note - No instances of non-compliance with the water revenue note provisions were noted.

# **MARSHALLTOWN WATER WORKS**

## **Audit Staff**

This report was prepared by:

**BOWMAN AND MILLER, P.C.**  
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